

CASE NAME:
Compute North Holdings, Inc., et al.,
CASE NUMBER:
22-90273 (MI)
PETITION DATE:
September 22, 2022

GLOBAL NOTES AND STATEMENTS OF LIMITATIONS AND DISCLAIMERS REGARDING THE DEBTORS' MONTHLY OPERATING REPORT

On September 22, 2022 (as applicable to each Debtor, the "Petition Date"), Compute North Holdings, Inc. and certain of its affiliated debtors, as debtors (collectively, the "Debtors"), each commenced with the United States Bankruptcy Court for the District of Southern District of Texas (the "Bankruptcy Court") a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors are authorized to continue operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On September 23, 2022 the Bankruptcy Court entered orders authorizing the joint administration of these cases pursuant to Rule 1015(b) [Docket No. 43] of the Federal Rules of Bankruptcy Procedure. On October 6, 2022, the United States Trustee for the Southern District of Texas (the "U.S. Trustee") appointed an official committee of unsecured creditors (the "Creditors' Committee") pursuant to Bankruptcy Code section 1102(a)(1) [Docket No. 139]. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases.

1) General Methodology: The Debtors are filing this monthly operating report (the "MOR") solely for purposes of complying with the monthly operating reporting requirements of the Debtors' chapter 11 cases. The financial information contained herein is unaudited, limited in scope and as such, has not been subjected to procedures that would typically be applied to financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The MOR should not be relied on by any persons for information relating to current or future financial condition, events or performance of any of the Debtors or their affiliates, as the results of operations contained herein are not necessarily indicative of results that may be expected from any other period or for the full year, and may not necessarily reflect the combined results of operations, financial position, and schedule of receipts and disbursements in the future. There can be no assurance that such information is complete. The MOR may be subject to material future revision. The following notes, statements and limitations should be referred to, and referenced in connection with, any review of the MOR.

2) Basis of Presentation: For financial reporting purposes, the Debtors prepare consolidated financial statements and have done so since conception, which include information for Compute North Holdings, Inc. and its debtor subsidiaries. This MOR only contains financial information of the Debtors, unless otherwise noted. For the purposes of MOR reporting, the accompanying Balance Sheets and Statement of Operations of the Debtors have been prepared with the Debtors' reasonable efforts to report certain financial information of each Debtor on an unconsolidated basis. The Debtors used reasonable efforts to attribute the assets and liabilities to each particular Debtor entity. However, because the Debtors' accounting systems, policies, and practices were developed for consolidated reporting purposes rather than for reporting by legal entity, it is possible that not all assets and liabilities have been recorded with the correct legal entity. The information furnished in this MOR uses the Debtors' normal accrual method of accounting. In preparing the MOR, the Debtors relied on financial data derived from their books and records that was available at the time of preparation. Nevertheless, in preparing this MOR, the Debtors made reasonable efforts to supplement the information set forth in their books and records with additional information concerning transactions that may not have been identified therein. Subsequent information or discovery may result in material changes to the MOR and errors or omissions may exist. The MOR has been developed to the best of the Debtor's knowledge and ability. Notwithstanding any such discovery, new information or errors or omissions, the Debtors do not undertake any obligation or commitment to update this MOR. Except as previously noted, the financial statements presented herein reflect the book values of the Debtors and, as a result, do not reflect the going concern valuation of the Debtors. The Company is not liable for and undertakes no responsibility to indicate variations from securities laws or for any evaluations of the Company based on this financial information or any other information.

3) Reporting Period: Unless otherwise noted herein, the MOR generally reflects the Debtors' books and records and financial activity occurring during the applicable reporting period. Except as otherwise noted, no adjustments have been made for activity occurring after the close of the reporting period.

4) Accuracy: The financial information disclosed herein was not prepared in accordance with federal or state securities laws or other applicable nonbankruptcy law or in lieu of complying with any periodic reporting requirements thereunder. Persons and entities trading in or otherwise purchasing, selling or transferring the claims against or equity interests in the Debtors should evaluate this financial information in light of the purposes for which it was prepared. The Debtors are not liable for and undertake no responsibility to indicate variations from securities laws or for any evaluations of the Debtors based on this financial information or any other information.

5) Payment of Prepetition Claims Pursuant to First Day Orders: On September 22, 2022 the Bankruptcy Court entered various orders (the "First Day Orders") authorizing, but not directing, the Debtors to, among other things, pay certain prepetition (a) employee wages, salaries, and related items, (b) insurance and surety obligations, (c) vendor claims, (d) taxes and assessments, and (e) continue use of their cash management system. If any payments were made on account of such claims following the commencement of these chapter 11 cases pursuant to the authority granted to the Debtors by the Bankruptcy Court under the First Day Orders, such payments have been included in this MOR unless otherwise noted.

6) Liabilities Subject to Compromise ("LSTC"): LSTC represent the Debtors' estimate of prepetition claims to be resolved in connection with the chapter 11 cases. As a result of the chapter 11 filings, the payment of prepetition liabilities are subject to compromise or other treatment under a plan of reorganization or plan of liquidation. The determination of how liabilities will ultimately be settled or treated cannot be made until the Bankruptcy Court approves a chapter 11 plan of reorganization or plan of liquidation. Accordingly, the ultimate amount of such liabilities is not determinable at this time. Prepetition liabilities that are subject to compromise under the Financial Accounting Standards Board's Accounting Standards Codification 852 – Reorganizations ("ASC 852") are preliminary and may be subject to, among other things, future adjustments depending on Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims, rejection of executory contracts, continued reconciliation, payment of such amounts subject to First Day Orders or other events. The consolidated total of secured, priority, and general unsecured claims reported in the Schedules of Assets and Liabilities ("SOAL") may vary materially compared to the presented LSTC as the Debtors continue the claims reconciliation process. In addition, certain unliquidated claims were listed with no claim balance in the SOAL while the Debtors report them as pre-petition liabilities for reporting purposes, which increases the total LSTC balance.

7) Reorganization Items: ASC 852 requires expenses and income directly associated with the chapter 11 filings to be reported separately in the income statement as reorganization items. Reorganization items primarily include write-off of certain original issue premiums and debt issuance costs relating to debt obligations classified as LSTC, expenses related to legal advisory and representation services, other professional consulting and advisory services and changes in LSTC recognized as there are changes in amounts expected to be allowed as claims. Nothing contained in this MOR shall constitute a waiver of any of the Debtors' rights or an admission with respect to their chapter 11 proceedings.

8) Consolidated Entity Accounts Payable and Disbursement Systems: As described in the Motion Regarding Chapter 11 First Day Motions Debtors Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Continue to Operate Their Existing Cash Management System; (B) Maintain Their Existing Bank Accounts and Business Forms; (C) Pay Related Prepetition Obligations; and (D) Continue to Perform Intercompany Transactions; and (II) Granting Related Relief [Docket No. 19] (the "Cash Management Motion"), the Debtors utilize an integrated, centralized cash management system, in the ordinary course of business, to collect, concentrate, and disburse funds generated by their operations (the "Cash Management System"). The Debtors maintain a consolidated disbursements system to pay the majority of operating and administrative expenses through centralized disbursement accounts. Several Debtors maintain bank accounts for specific sites operated for collection. For the purposes of reporting, restructuring professional and ordinary course professional ("OCP") fees are reported on a consolidated basis within Compute North LLC schedules.

9) Intercompany Transactions and Balance: Prior to the Petition Date, the Debtors routinely engaged (and continue to engage) in intercompany transactions with debtor affiliates. The Debtors typically report financials on a consolidated basis and operate as a single entity. Intercompany transactions are recorded each instance where assets are moved from one entity to the other, and a corresponding intercompany payable credit is entered. The Debtors' do not report intercompany balances on the consolidated level as the transactions create net balances.

10) Cash Balance: The Debtors regularly sweep cash into the master cash account through the Compute North LLC Debtor entity. Disbursements for expenses are made by the individual Debtor bank accounts for various entities and are reimbursed by the master Debtor bank account. For presentation purposes, all receipts are shown at the Compute North LLC entity while disbursements are shown relating to the specific Debtor entity that the expense relates to. This presentation can cause discrepancies between the book and bank beginning and ending cash balances at the Debtor entity level. The cash balance across all Debtors should be viewed on a consolidated basis. In addition, for certain Debtor entities, the beginning cash number is reported differently than in previous periods to account for inter-Debtor transactions between Debtor bank accounts and ending in the correct ending balance by entity. The Compute North LLC beginning cash balance is approximately \$115k higher in October 2022 for the disbursement of the Utilities Adequate Assurance deposit on October 7, 2022. The utilities deposit remains in possession of a new Compute North LLC bank account and is reported as part of Compute North LLC ending cash. Any additional variances to beginning cash are immaterial due to cash in-transit between Debtor zero-balance accounts and the master bank account.

11) Depreciation and Amortization: The Debtors report non-corporate depreciation at all sites in cost of goods sold for various entities. Due to this standard reporting some capital asset schedules will show more depreciation than is reported in the Debtor-level depreciation expense line.

12) General and Administrative and Other Expenses: The Debtors present general and administrative expenses net of accrual and other accounting-based adjustments. Such general and administrative accruals and other accounting-based adjustments include stock based compensation and other compensation-related accrual adjustments. The Debtors present other expenses net of other income items, which may cause the expense to be negative if other income items exceed other expenses. These other income items are not considered gross revenues as they do not result from the Debtors operations. Such other income items are inclusive of transition service agreement ("TSA") fees, credit card cash back redemption, etc.

13) Net Book Value of Assets: It would be prohibitively expensive, unduly burdensome, and an inefficient use of estate assets for the Debtors to obtain current market valuations for all of their assets and, in certain circumstances, estate assets are contemplated to be marketed for sale. For these reasons, the Debtors have indicated in the MOR that the values of certain assets and liabilities are undetermined or unknown. Accordingly, unless otherwise indicated, net book values as of September 22, 2022 as applicable, are reflected on the MOR. Market values may, at times materially, vary from net book values. The Debtors reserve all rights related to the net book values reflected in the MOR.

14) Asset Sold or Transferred: Certain asset sales included numerous assets held at various sites operated by the Debtors. For these asset sales, sales prices were not expressly assigned to each asset involved in the transaction. For these certain asset sales, the MOR reflects the total gross and net sale price of all assets as a consolidated amount listed for the first asset in the schedule. All subsequent assets sold in these certain asset sales are labeled as "Consolidated with other assets" in the defined asset sale. In addition, as part of certain asset sales, the Debtors were relieved of outstanding secured and unsecured debt with respect to the purchaser. The total gross sale proceeds is inclusive of the relieved outstanding secured and unsecured debt. Net proceeds is the net cash received as consideration for the asset sale from the purchaser.

15) Reservation of Rights: The Debtors reserve all rights to amend or supplement the MOR in all respects, as may be necessary or appropriate. Nothing contained in this MOR shall constitute a waiver of any of the Debtors' rights or an admission with respect to their chapter 11 cases.

Debtors**Statements of Cash Receipts and Disbursements**

	Compute North Holdings, Inc.	Compute North LLC	CN Corpus Christi LLC	CN Atoka LLC	CN Big Spring LLC	CN Colorado Bend LLC	CN Developments LLC	CN Equipment LLC	CN King Mountain LLC	CN Minden LLC	CN Mining LLC
Week Ending	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022
Operating Receipts											
CN Mining Receipts											
CN Mining Receipts	\$ -	\$ 892,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Colocation & Services Receipts	-	135,848	-	-	-	-	-	-	-	-	-
Project Curtailment Receipts	-	-	-	-	-	-	-	-	-	-	-
PMA Fee Income Receipts	-	553,500	-	-	-	-	-	-	-	-	-
Expense Reimbursement	-	1,342,064	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ 3,052,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Disbursements											
Payroll & Benefits											
Payroll & Benefits	\$ -	\$ 963,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,758	\$ -	\$ -	\$ -
Ordinary Course Professionals	-	270	-	-	-	-	-	-	-	-	-
Leases & Utilities	-	40,557	-	-	-	-	-	-	-	-	-
Insurance	-	145,616	-	-	-	-	-	-	-	-	-
Sales & Marketing	-	24,738	-	-	-	-	-	-	-	-	-
Recruiting Fees	-	7,518	-	-	-	-	-	-	-	-	-
Business Travel	-	10,968	-	-	-	-	-	-	-	-	-
IT	-	15,940	-	-	-	-	-	-	-	-	-
Taxes	-	11,331	-	-	-	-	-	-	-	-	-
Other Operating Expenses	-	4,939	-	-	-	-	-	-	-	-	-
Project Specific Energy Costs	-	-	-	-	-	-	-	-	-	-	-
Other Project Expenses	-	28,601	-	-	-	-	-	2,700	-	-	-
CN Mining Hosting Fees	-	-	-	-	-	-	-	-	-	-	614,841
Total	\$ -	\$ 1,253,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,458	\$ -	\$ -	\$ 614,841
Non-Operating Receipts											
Gross Receipts from Asset Sales											
Gross Receipts from Asset Sales	\$ -	\$ 6,547,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 6,547,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Operating Disbursements											
Freight & Shipping											
Freight & Shipping	-	82,168	-	-	-	-	-	-	-	-	-
Capital Expenditures											
Total	\$ -	\$ 82,168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring Costs											
Debtor Counsel											
Debtor Counsel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debtor Advisors	-	322,429	-	-	-	-	-	-	-	-	-
UCC Counsel & Advisors	-	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ 322,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Relief											
503(b)(9)											
503(b)(9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities Adequate Assurance											
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Restructuring Costs											
Filing Fees											
Filing Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Trustee Fees	-	-	-	-	-	-	-	250	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ -	\$ -	\$ -
Total Restructuring Costs	\$ -	\$ 322,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ -	\$ -	\$ -
Total Receipts	\$ -	\$ 9,599,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ -	(1,658,338)	-	-	-	-	-	(6,708)	-	-	(614,841)
Net Cash Flow	\$ -	\$ 7,941,093	\$ -	\$ -	\$ -	\$ -	\$ -	(6,708)	\$ -	\$ -	(614,841)

Debtors**Statements of Cash Receipts and Disbursements**

	CN Pledgor LLC	Compute North Member LLC	Compute North NC08 LLC	Compute North NY09 LLC	Compute North SD LLC	Compute North Texas LLC	Compute North TX06 LLC	Compute North TX10 LLC
Week Ending	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022	11/30/2022
Operating Receipts								
CN Mining Receipts								
CN Mining Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Project Colocation & Services Receipts								
Project Curtailment Receipts								
PMA Fee Income Receipts								
Expense Reimbursement								
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Disbursements								
Payroll & Benefits								
Payroll & Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ordinary Course Professionals								
Leases & Utilities								
Insurance								
Sales & Marketing								
Recruiting Fees								
Business Travel								
IT							75	
Taxes								
Other Operating Expenses								
Project Specific Energy Costs					161,419			
Other Project Expenses					1,022	26,583		
CN Mining Hosting Fees								
Total	\$ -	\$ -	\$ -	\$ -	\$ 162,441	\$ 26,658	\$ -	\$ -
Non-Operating Receipts								
Gross Receipts from Asset Sales								
Gross Receipts from Asset Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Operating Disbursements								
Freight & Shipping								
Freight & Shipping								
Capital Expenditures								
Capital Expenditures								
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring Costs								
Debtor Counsel								
Debtor Counsel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debtor Advisors								
Debtor Advisors								
UCC Counsel & Advisors								
UCC Counsel & Advisors								
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Relief								
503(b)(9)								
503(b)(9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities Adequate Assurance								
Utilities Adequate Assurance								
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Restructuring Costs								
Filing Fees								
Filing Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Trustee Fees								
Trustee Fees						250	250	
Total	\$ -	\$ -	\$ -	\$ -	\$ -	250	250	\$ -
Total Restructuring Costs	\$ -	\$ -	\$ -	\$ -	\$ -	250	250	\$ -
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ -	\$ -	\$ -	\$ -	\$ -	(162,691)	(26,908)	\$ -
Net Cash Flow	\$ -	\$ -	\$ -	\$ -	\$ -	(162,691)	(26,908)	\$ -

CN Equipment LLC
Balance Sheet
Unaudited

For Month Ending
November 30, 2022

Assets

Current assets

Cash	\$	-
Accounts receivable		-
Intercompany receivable		-
Inventory		-
Other current assts		-
Total current assets	\$	-
Other non-current assts		-
Total Assets	\$	-

Liabilities and Equity

Current liabilities - Post-petition

Trade payables	\$	-
Accrued expenses		-
Accrued wages		-
Unsecured deferred revenue		-
Intercompany payables		-
Total current liabilities	\$	-

Total Liabilities Subject to Compromise

Long term debt, net	-
Taxes payable	-

Total Liabilities

Equity

CN Equipment LLC
Statement of Operations
Unaudited

	Nov 1, 2022 - Nov 30, 2022
Net Revenue	\$ -
Cost of goods sold	- -
Gross profit	\$ -
Gross margin	0%
Selling, general & administrative	
Selling expenses	\$ -
General and administrative expenses	- -
Other expenses, net	- -
Depreciation and amortization	- -
Total Expenses	\$ - -
Income (Loss) from operations	\$ - -
Interest expense, net	- -
Income (Loss) before income taxes	\$ - -
Income tax expense	- -
Net income (loss)	\$ - -
Reorganization items	- -
Adj. Net income (loss)	<u><u>\$ - -</u></u>